



Nquthu Local Municipality
Annual Financial Statements
for the year ended 30 June 2012

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

General Information

| | |
|----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Nature of business and principal activities | Local Municipality |
| Executive Committee | |
| Mayor | Cllr. EN Molefe (Mayor) Cllr. SM Kunene (Deputy Mayor) Cllr. NM Zungu Cllr. RS Nyamane Cllr. ML Dlamini Cllr. NS Mkhize Cllr. VB Ntombela (Speaker) (Ex-Officio) |
| Ordinary Councillors | Cllr. Z Sithole Cllr. JC Ndlovu Cllr. SM Buthelezi Cllr. GAN Buthelezi Cllr. LS Sangweni Cllr. SM Shabangu Cllr. TW Madondo Cllr. RS Langa Cllr. KS Selepe Cllr. CS Mzizi Cllr. HM Moloi Cllr. RA Ndlovu Cllr. SMC Zikode Cllr. CT Buthelezi Cllr. GH Buthelezi Cllr. LS Hoffman Cllr. IT Nhlebela Cllr. TM Ndlovu Cllr. FA Hlatshwayo Cllr. PP Khoza Cllr. EM Mkhwanazi Cllr. ME Mnguni Cllr. SP Mazibuko Cllr. SJ Mkhwanazi Cllr. ZG Ngcobo Cllr. BI Zwane Cllr. ET Zulu |
| Grading of local authority | Grade 2 |
| Accounting Officer | Mr. Bonginkosi Paul Gumbi |
| Chief Finance Officer (CFO) | Mr. Welcome Sakhile Mpanza |
| Registered office | Municipal Building 83/11 Mdlaolose Street Nquthu 3135 |
| Business address | Municipal Building 83/11 Mdlaolose Street Nquthu 3135 |

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

General Information

| | |
|-----------------------|-----------------------------------------------|
| Postal address | Private Bag X 5521 Nquthu 3135 |
| Bankers | ABSA South Africa |
| Auditors | Auditor General |
| Attorneys | Kevin Dass Attorneys Accutts & Worthington |

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

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Abbreviations

| | |
|---------|--------------------------------------------------------------------|
| COID | Compensation for Occupational Injuries and Diseases |
| CRR | Capital Replacement Reserve |
| DBSA | Development Bank of South Africa |
| SA GAAP | South African Statements of Generally Accepted Accounting Practice |
| GRAP | Generally Recognised Accounting Practice |
| GAMAP | Generally Accepted Municipal Accounting Practice |
| HDF | Housing Development Fund |
| IAS | International Accounting Standards |
| IMFO | Institute of Municipal Finance Officers |
| IPSAS | International Public Sector Accounting Standards |
| ME's | Municipal Entities |
| MEC | Member of the Executive Council |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant (Previously CMIP) |

A report of the accounting officers has not been prepared as the municipality is a wholly owned controlled entity of which is incorporated in South Africa.

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officers to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledge that they are ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officers to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 47, which have been prepared on the going concern basis, were approved by the Accounting Officer on 30 August 2012 and were signed on its behalf by:

**Accounting Officer
Designation**

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Statement of Financial Position

| Figures in Rand | Note(s) | 2012 | 2011 |
|----------------------------------------------|---------|--------------------|--------------------|
| Assets | | | |
| Current Assets | | | |
| Inventories | 6 | 99,890 | 64,970 |
| Other receivables from exchange transactions | 7 | 727,894 | 1,220,624 |
| VAT receivable | 8 | 3,229,632 | 660,908 |
| Consumer debtors | 9 | 6,899,311 | 10,775,985 |
| Cash and cash equivalents | 10 | 61,039,468 | 32,455,500 |
| | | 71,996,195 | 45,177,987 |
| Non-Current Assets | | | |
| Investment property | 3 | 1,227,659 | 1,294,264 |
| Property, plant and equipment | 4 | 94,820,755 | 69,210,830 |
| Intangible assets | 5 | 39,028 | 50,405 |
| Non-current assets held for sale | 4 | 1,266,451 | - |
| | | 97,353,893 | 70,555,499 |
| Total Assets | | 169,350,088 | 115,733,486 |
| Liabilities | | | |
| Current Liabilities | | | |
| Finance lease obligation | 11 | 384,714 | 724,523 |
| Payables from exchange transactions | 15 | 5,766,007 | 3,281,245 |
| Consumer deposits | 16 | 90,687 | 90,687 |
| Unspent conditional grants and receipts | 12 | 12,154,802 | 12,516,511 |
| Provisions | 13 | 1,595,388 | 1,628,748 |
| DBSA Loan Current portion | 14 | 763,099 | 763,099 |
| | | 20,754,697 | 19,004,813 |
| Non-Current Liabilities | | | |
| Finance lease obligation | 11 | 12,320 | 389,917 |
| DBSA Loan - Long-term portion | 14 | 1,719,386 | 2,482,480 |
| | | 1,731,706 | 2,872,397 |
| Total Liabilities | | 22,486,403 | 21,877,210 |
| Net Assets | | 146,863,685 | 93,856,276 |
| Net Assets | | | |
| Accumulated surplus | | 146,863,685 | 93,856,276 |

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Statement of Financial Performance

| Figures in Rand | Note(s) | 2012 | 2011 |
|-----------------------------------------------------------|---------|---------------------|---------------------|
| Revenue | | | |
| Property rates | 18 | 5,871,748 | 5,990,029 |
| Service charges | 19 | 11,969,381 | 9,456,928 |
| Property rates - penalties imposed and collection charges | | 543,006 | 739,289 |
| Rental of facilities and equipment | | 454,223 | 526,717 |
| Fines | | 160,698 | 280,785 |
| Government grants & subsidies | 20 | 95,809,115 | 63,586,658 |
| Miscellaneous other revenue | | 409,134 | 405,616 |
| Commissions received | | 71,829 | 69,384 |
| Interest received - investment | 26 | 2,255,249 | 528,637 |
| Total Revenue | | 117,544,383 | 81,584,043 |
| Expenditure | | | |
| Personnel | 23 | (17,301,080) | (17,014,526) |
| Remuneration of councillors | 24 | (6,795,323) | (6,050,747) |
| Depreciation and amortisation | 27 | (4,724,817) | (4,132,696) |
| Finance costs | 28 | (200,437) | (272,435) |
| Debt impairment | 25 | (2,201,627) | (1,685,214) |
| Repairs and maintenance | | (577,450) | (496,651) |
| Bulk purchases | 32 | (11,552,508) | (9,129,916) |
| Contracted services | 30 | (2,516,293) | (1,565,471) |
| Grants and subsidies paid | 31 | (4,495,352) | (3,909,119) |
| Loss on disposal of assets | 17 | - | (138,511) |
| General Expenses | 22 | (13,949,424) | (8,595,334) |
| Total Expenditure | | (64,314,311) | (52,990,620) |
| Surplus for the year | | 53,230,072 | 28,593,423 |

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus | Total net assets |
|--------------------------------------------|---------------------|--------------------|
| Balance at 01 July 2010 | 65,262,853 | 65,262,853 |
| Changes in net assets | | |
| Surplus for the year | 28,593,423 | 28,593,423 |
| Total changes | 28,593,423 | 28,593,423 |
| Opening balance as previously reported | 93,410,940 | 93,410,940 |
| Adjustments | | |
| Prior year adjustments | 222,673 | 222,673 |
| Balance at 01 July 2011 as restated | 93,633,613 | 93,633,613 |
| Changes in net assets | | |
| Surplus for the year | 53,230,072 | 53,230,072 |
| Total changes | 53,230,072 | 53,230,072 |
| Balance at 30 June 2012 | 146,863,685 | 146,863,685 |
| Note(s) | | |

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Cash Flow Statement

| Figures in Rand | Note(s) | 2012 | 2011 |
|---------------------------------------------------------|---------|----------------------------|----------------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Sale of goods and services | | 11,969,381 | 15,446,957 |
| Grants | | 95,562,053 | 63,586,658 |
| Interest income | | 2,255,249 | 528,637 |
| Other receipts | | 7,510,638 | 2,021,791 |
| | | <u>117,297,321</u> | <u>81,584,043</u> |
| Payments | | | |
| Employee costs | | (24,077,574) | (23,065,273) |
| Suppliers | | (31,208,963) | (24,824,803) |
| Finance costs | | (78,171) | (91,303) |
| | | <u>(55,364,708)</u> | <u>(47,981,379)</u> |
| Net cash flows from operating activities | 33 | <u>61,932,613</u> | <u>33,602,664</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 4 | (31,772,668) | (10,406,326) |
| Proceeds from sale of property, plant and equipment | 4 | 141,119 | - |
| Purchase of other intangible assets | 5 | - | (45,537) |
| | | <u>(31,631,549)</u> | <u>(10,451,863)</u> |
| Net cash flows from investing activities | | <u>(31,631,549)</u> | <u>(10,451,863)</u> |
| Cash flows from financing activities | | | |
| Movement in DBSA loan - long-term portion | | (763,094) | (748,135) |
| Finance lease payments | | (839,672) | (752,008) |
| | | <u>(1,602,766)</u> | <u>(1,500,143)</u> |
| Net cash flows from financing activities | | <u>(1,602,766)</u> | <u>(1,500,143)</u> |
| Net increase in cash and cash equivalents | | 28,698,298 | 21,650,658 |
| Cash and cash equivalents at the beginning of the year | | 32,455,500 | 10,804,835 |
| Cash and cash equivalents at the end of the year | 10 | <u>61,153,798</u> | <u>32,455,493</u> |

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention unless specified otherwise. They are presented in South African Rand.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or,
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is derecognised on disposal, or when the investment property is permanently withdrawn from use and no future economic benefits or service potential is expected from its disposal. Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.”.

Investment property is recognised as an asset when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

| Item | Useful life |
|----------------------|-------------|
| Property - land | indefinite |
| Property - buildings | 30 years |

Accounting Policies

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Average useful life |
|------|---------------------|
| Land | Indefinite |

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.3 Property, plant and equipment (continued)

| | |
|----------------------------------|-------|
| Buildings | |
| • Office buildings | 30 |
| Plant and machinery | 3-10 |
| Furniture and fixtures | 3-10 |
| Motor vehicles | 5 |
| Office equipment | 5 |
| IT equipment | 5 |
| Computer software | 5 |
| Infrastructure | |
| • Electricity Networks | 25-30 |
| • Street lights | 25 |
| • Taxi Ranks | 20 |
| Community | |
| • Cemetery | 15-25 |
| • Waste sites | 25-30 |
| Capital work in progress - Roads | |
| Finance leased Assets | 3-5 |
| Investment property | 5-30 |
| Heritage assets | |

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.4 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Accounting Policies

1.4 Intangible assets (continued)

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

1.5 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets comprise computer software and anti-virus software and are initially recognised at cost.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is provided for intangible assets on a straight line basis over the useful life. The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

| Item | Useful life |
|--------------------------|-------------|
| Computer software, other | 5 years |

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.6 Financial instruments

Classification and derecognition

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Accounting Policies

1.6 Financial instruments (continued)

The municipality derecognises a financial asset when and only when; the rights to the cash flows from the financial asset expire; or it transfers the financial asset and the transfer qualifies for derecognition. The municipality first needs to evaluate the extent to which it retains the risks and rewards of ownership of the financial asset.

The municipality transfers a financial asset if and only if: the rights to receive cash flows from the asset have expired, or if the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either the municipality has transferred substantially all the risks and rewards of the asset, or the municipality has neither transferred nor retained substantially all the risks and rewards of the asset.

The municipality removes a financial liability (or part of financial liability) from its statement of financial position when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged or called or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

Receivables from exchange transactions

Trade receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 150 days overdue) are considered indicators that the trade receivable is impaired.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against surplus or deficit.

Payables from exchange transactions

Trade payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially recorded at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Accounting Policies

1.7 Leases (continued)

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, in which case their costs are their fair value as at the date of acquisition.

Subsequently, inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses related to inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

Accounting Policies

1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.11 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Accounting Policies

1.11 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are not recognised for future operating deficits.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Accounting Policies

1.13 Provisions and contingencies (continued)

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

Contingent assets and contingent liabilities are not recognised.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. The revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.16 Interest and rental income

Interest is recognised using the effective interest rate method. Rentals are recognised on a time proportion basis.

1.17 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred since it is impractical to capitalise these as the PPE constructed though these borrowings is recognised at fair values.

Accounting Policies

1.17 Borrowing costs (continued)

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.19 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government

Irregular expenditure is also any expenditure incurred in contravention of the municipality's supply chain management policy.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Accounting Policies

1.21 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item to be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.22 Presentation of currency

These annual financial statements are presented in South African Rand.

1.23 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.24 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements.

The Statement of comparative and actual information have been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
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Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods:

| | |
|------------------------------------------------------------------------------|---------------|
| • GRAP 23: Revenue from Non-exchange Transactions | 01 April 2012 |
| • GRAP 24: Presentation of Budget Information in the Financial Statements | 01 April 2012 |
| • GRAP 103: Heritage Assets | 01 April 2012 |
| • GRAP 21: Impairment of non-cash-generating assets | 01 April 2012 |
| • GRAP 26: Impairment of cash-generating assets | 01 April 2012 |
| • GRAP 25: Employee benefits | 01 April 2013 |
| • GRAP 104: Financial Instruments | 01 April 2012 |
| • GRAP 105: Transfers of functions between entities under common control | 01 April 2014 |
| • GRAP 106: Transfers of functions between entities not under common control | 01 April 2014 |
| • GRAP 107: Mergers | 01 April 2014 |
| • GRAP 20: Related parties | 01 April 2013 |

The aggregate impact of the initial application of the statements and interpretations on the municipality's annual financial statements is expected to be as follows:

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|-----------------|------|------|
|-----------------|------|------|

3. Investment property

| | 2012 | | | 2011 | | |
|---------------------|---------------------|-----------------------------------------------------------------|----------------|---------------------|-----------------------------------------------------------------|----------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 1,999,640 | (771,981) | 1,227,659 | 1,999,640 | (705,376) | 1,294,264 |

Reconciliation of investment property - 2012

| | Opening balance | Depreciation | Total |
|---------------------|--------------------|--------------|-----------|
| Investment property | 1,294,264 | (66,605) | 1,227,659 |

Reconciliation of investment property - 2011

| | Opening balance | Depreciation | Total |
|---------------------|--------------------|--------------|-----------|
| Investment property | 1,360,918 | (66,654) | 1,294,264 |

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Transitional provisions

4. Property, plant and equipment

| | 2012 | | | 2011 | | |
|------------------------------------------------|---------------------|-----------------------------------------------------------------|-------------------|---------------------|-----------------------------------------------------------------|-------------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 14,300,000 | - | 14,300,000 | 14,300,000 | - | 14,300,000 |
| Buildings | 24,208,205 | (4,470,647) | 19,737,558 | 23,284,529 | (3,583,487) | 19,701,042 |
| Plant and machinery | 4,139,621 | 947,951 | 5,087,572 | 4,037,982 | - | 4,037,982 |
| Furniture and fixtures | 2,168,455 | (2,831,935) | (663,480) | 1,890,283 | (593,714) | 1,296,569 |
| Motor vehicles | 3,811,708 | (594,150) | 3,217,558 | 3,331,456 | (2,430,910) | 900,546 |
| IT equipment | 1,085,563 | (553,821) | 531,742 | 978,097 | (456,019) | 522,078 |
| Infrastructure | 30,800,187 | (15,747,096) | 15,053,091 | 30,800,187 | (13,729,844) | 17,070,343 |
| Community | 2,412,171 | (1,132,164) | 1,280,007 | 1,948,771 | (1,132,164) | 816,607 |
| Capital work in progress - Roads | 31,840,749 | - | 31,840,749 | 8,084,372 | - | 8,084,372 |
| Capital works in progress - community halls | 4,190,884 | - | 4,190,884 | 1,504,748 | - | 1,504,748 |
| Finance leased Assets | 1,879,790 | (1,713,604) | 166,186 | 1,879,790 | (982,135) | 897,655 |
| Heritage | 78,888 | - | 78,888 | 78,888 | - | 78,888 |
| Total | 120,916,221 | (26,095,466) | 94,820,755 | 92,119,103 | (22,908,273) | 69,210,830 |

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 | | | | | |
|--------------------------------------------------------|-----------------|-------------|------------|-----------|-----------------------------|-------------|--------------|
| 4. Property, plant and equipment (continued) | | | | | | | |
| Reconciliation of property, plant and equipment - 2012 | | | | | | | |
| | Opening balance | Difference | Additions | Disposals | Classified as held for sale | Transfers | Depreciation |
| Land | 14,300,000 | - | - | - | - | - | - |
| Buildings | 19,701,042 | 118,421 | 805,256 | - | - | - | (887,16) |
| Plant and machinery | 4,037,982 | 1,516,105 | 484,698 | - | (618,730) | - | (332,48) |
| Furniture and fixtures | 1,296,569 | (1,881,820) | 200,816 | - | (20,367) | - | (258,67) |
| Motor vehicles | 900,546 | 137,562 | 3,039,237 | - | (605,269) | - | (254,51) |
| IT equipment | 522,078 | (102,463) | 299,486 | - | (22,084) | - | (165,27) |
| Infrastructure | 17,070,343 | (9,535,935) | - | - | - | 9,449,913 | (1,931,23) |
| Community | 816,607 | (345,356) | - | - | - | 808,756 | - |
| Capital work in progress - Roads | 8,084,372 | 10,575,592 | 22,630,698 | - | - | (9,449,913) | - |
| Capital works in progress - community halls | 1,504,748 | (522,485) | 4,017,377 | - | - | (808,756) | - |
| Finance leased Assets | 897,655 | (153,982) | 295,100 | (141,119) | - | - | (731,46) |
| Heritage | 78,888 | - | - | - | - | - | - |
| | 69,210,830 | (194,361) | 31,772,668 | (141,119) | (1,266,450) | - | (4,560,81) |

Reconciliation of property, plant and equipment - 2011

| | Opening balance | Additions | Disposals | Reclassification | Depreciation | Total |
|---------------------------------------------|-------------------|-------------------|------------------|------------------|--------------------|-------------------|
| Land | 14,300,000 | - | - | - | - | 14,300,000 |
| Buildings | 10,775,299 | - | - | 9,793,612 | (867,869) | 19,701,042 |
| Plant and machinery | 3,397,239 | 147,808 | (1,973) | 820,798 | (325,890) | 4,037,982 |
| Furniture and fixtures | 448,062 | 305,763 | (13,541) | 799,382 | (243,097) | 1,296,569 |
| Motor vehicles | 422,551 | - | - | 585,402 | (107,407) | 900,546 |
| IT equipment | 569,424 | 133,054 | (7,969) | (17,672) | (154,759) | 522,078 |
| Infrastructure | 19,780,815 | - | - | (1,049,409) | (1,661,063) | 17,070,343 |
| Community | 3,418,080 | - | - | (2,561,712) | (39,761) | 816,607 |
| Capital work in progress - Roads | - | 8,084,372 | - | - | - | 8,084,372 |
| Capital works in progress - community halls | - | 1,504,748 | - | - | - | 1,504,748 |
| Finance leased Assets | 1,562,372 | 230,581 | (115,028) | (116,347) | (663,923) | 897,655 |
| Heritage | 61,835 | - | - | 17,053 | - | 78,888 |
| | 54,735,677 | 10,406,326 | (138,511) | 8,271,107 | (4,063,769) | 69,210,830 |

Assets subject to finance lease (Net carrying amount)

| | | |
|-----------------------|---------|---------|
| Finance leased Assets | 166,186 | 897,655 |
|-----------------------|---------|---------|

Other information

Property, plant and equipment retired from active use and held for disposal (Carrying amount)

| | | |
|------------------------|------------------|----------|
| Plant and machinery | 618,730 | - |
| Furniture and fittings | 20,367 | - |
| Motor vehicles | 605,269 | - |
| Computers | 22,084 | - |
| | 1,266,450 | - |

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|-----------------|------|------|
|-----------------|------|------|

4. Property, plant and equipment (continued)

A process of disposing of unused and irreparable PPE was delayed and was only approved after the year-end by Council and they were disposed thereafter. As at the reporting date assets with book value of R 1,266,778.06 (cost R4,726,896.10) were therefore disclosed as held for sale. On the auction held on the 14th of August the proceeds from these assets were R 1 209 600.

Leased assets with a book value of R 436,590 (2011:R 1 014 077) are encumbered refer to note 10. The contract of lease of vehicles is terminating 30 September 2012 and will not be renewed any further as the municipality will buy its own fleet.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

For a detailed breakdown of PPE refer to Appendix B and C.

5. Intangible assets

| | 2012 | | | 2011 | | |
|--------------------------|---------------------|-----------------------------------------------------------------|----------------|---------------------|-----------------------------------------------------------------|----------------|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software, other | 80,830 | (41,802) | 39,028 | 80,830 | (30,425) | 50,405 |

Reconciliation of intangible assets - 2012

| | Opening balance | Amortisation | Total |
|-------------------|--------------------|--------------|--------|
| Computer software | 50,405 | (11,377) | 39,028 |

Reconciliation of intangible assets - 2011

| | Opening balance | Additions | Amortisation | Total |
|--------------------------|--------------------|-----------|--------------|--------|
| Computer software, other | 7,138 | 45,537 | (2,270) | 50,405 |

6. Inventories

| | | |
|-------------------|--------|--------|
| Consumable stores | 99,890 | 64,970 |
|-------------------|--------|--------|

7. Other receivables from exchange transactions

| | | |
|---------------|---------|-----------|
| Other debtors | 727,894 | 1,220,624 |
|---------------|---------|-----------|

8. VAT receivable

| | | |
|-----------------------|-----------|---------|
| Value Added Tax (VAT) | 3,229,632 | 660,908 |
|-----------------------|-----------|---------|

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|--------------------------------------------|--------------------|---------------------|
| 9. Consumer debtors | | |
| Gross balances | | |
| Rates | 3,028,458 | 7,109,350 |
| Electricity | 1,056,828 | 1,542,083 |
| Refuse | 8,780,063 | 5,878,234 |
| Sundry debtors | 276,428 | 287,159 |
| Other (old) | - | 6,986,401 |
| | 13,141,777 | 21,803,227 |
| Less: Provision for debt impairment | | |
| Rates | (1,662,041) | (856,660) |
| Electricity | (304,187) | (2,151,601) |
| Refuse | (4,273,970) | (1,030,312) |
| Sundry debtors | (2,268) | (2,268) |
| Other (old) | - | (6,986,401) |
| | (6,242,466) | (11,027,242) |
| Net balance | | |
| Rates | 1,366,417 | 6,252,690 |
| Electricity | 752,641 | (609,518) |
| Refuse | 4,506,093 | 4,847,922 |
| Sundry debtors | 274,160 | 284,891 |
| | 6,899,311 | 10,775,985 |
| Rates | | |
| Current (0 -30 days) | 120,405 | 485,915 |
| 31 - 60 days | 102,808 | 430,136 |
| 61 - 90 days | 163,501 | 364,679 |
| 91 - 120 days | 104,931 | 364,982 |
| 121 - 365 days | 101,259 | 389,375 |
| > 365 days | 2,435,554 | 5,074,964 |
| | 3,028,458 | 7,110,051 |
| Electricity | | |
| Current (0 -30 days) | 173,516 | 341,608 |
| 31 - 60 days | 146,605 | 140,130 |
| 61 - 90 days | 65,084 | 55,788 |
| 91 - 120 days | 8,095 | 50,698 |
| 121 - 365 days | 4,500 | 52,476 |
| > 365 days | 659,028 | 829,190 |
| | 1,056,828 | 1,469,890 |
| Refuse | | |
| Current (0 -30 days) | 287,804 | 359,517 |
| 31 - 60 days | 275,683 | 320,961 |
| 61 - 90 days | 272,089 | 323,494 |
| 91 - 120 days | 292,686 | 313,772 |
| 121 - 365 days | 290,865 | 296,510 |
| > 365 days | 7,359,472 | 4,554,913 |
| | 8,778,599 | 6,169,167 |
| Sundry debtors | | |
| Current (0 -30 days) | 28,452 | 22,006 |
| 31 - 60 days | 26,444 | 20,584 |
| 61 - 90 days | 24,071 | 16,471 |

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|------------------------------------------------------|------------------|------------------|
| 9. Consumer debtors (continued) | | |
| 91 - 120 days | 20,075 | 13,165 |
| 121 - 365 days | 17,664 | 10,792 |
| > 365 days | 160,032 | 201,873 |
| | 276,738 | 284,891 |
| Other (old) | | |
| > 365 days | - | 6,986,401 |
| Summary of debtors by customer classification | | |
| Consumers | | |
| Current (0 -30 days) | 246,321 | 420,818 |
| 31 - 60 days | 154,157 | 389,453 |
| 61 - 90 days | 169,475 | 376,973 |
| 91 - 120 days | 182,479 | 353,657 |
| 121 - 365 days | 145,138 | 343,539 |
| > 365 days | 3,913,473 | 5,796,900 |
| | 4,811,043 | 7,681,340 |
| Industrial/ commercial | | |
| Current (0 -30 days) | 118,055 | 247,774 |
| 31 - 60 days | 152,015 | 38,059 |
| 61 - 90 days | 119,815 | 38,490 |
| 91 - 120 days | 59,594 | 41,039 |
| 121 - 365 days | 56,750 | 27,776 |
| > 365 days | 714,849 | 444,458 |
| | 1,221,078 | 837,596 |
| National and provincial government | | |
| Current (0 -30 days) | 232,864 | 354,022 |
| 31 - 60 days | 233,063 | 302,094 |
| 61 - 90 days | 225,293 | 214,042 |
| 91 - 120 days | 211,724 | 211,525 |
| 121 - 365 days | 208,164 | 213,725 |
| > 365 days | 5,940,188 | 2,963,044 |
| | 7,051,296 | 4,258,452 |
| Sundry debtors | | |
| Current (0 -30 days) | 28,452 | 186,342 |
| 31 - 60 days | 26,444 | 182,206 |
| 61 - 90 days | 24,071 | 130,927 |
| 91 - 120 days | 20,075 | 136,396 |
| 121 - 365 days | 17,664 | 164,112 |
| > 365 days | 160,032 | 1,310,875 |
| | 276,738 | 2,110,858 |
| Old debtors | | |
| > 365 days | - | 6,986,401 |
| Total | | |
| Current (0 -30 days) | 625,692 | 1,208,956 |
| 31 - 60 days | 565,679 | 911,812 |
| 61 - 90 days | 538,654 | 760,432 |
| 91 - 120 days | 473,872 | 742,617 |

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|----------------------------------------|------------------|-------------------|
| 9. Consumer debtors (continued) | | |
| 121 - 365 days | 427,716 | 749,152 |
| > 365 days | 10,485,153 | 17,426,785 |
| | 13,116,766 | 21,799,754 |
| Less: Provision for debt impairment | (6,217,455) | (11,023,769) |
| | 6,899,311 | 10,775,985 |

Reconciliation of debt impairment provision

| | | |
|-----------------------------------------------|------------------|-------------------|
| Balance at beginning of the year | 11,023,769 | 9,342,028 |
| Contributions to provision | 2,201,627 | 1,681,741 |
| Debt impairment written off against provision | (6,986,401) | - |
| | 6,238,995 | 11,023,769 |

Consumer debtors impaired

The consumer debtors amounting to R 6 986 401 were fully written-off on the reporting date. This relates to the amount brought forward from prior years which could not be verified and the decision was taken to write them off.

10. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---------------------|-------------------|-------------------|
| Bank balances | 18,236,324 | 17,169,626 |
| Short-term deposits | 42,803,144 | 15,285,874 |
| | 61,039,468 | 32,455,500 |

Investments

| | | |
|--------------------------------|-------------------|-------------------|
| Multi-Purpose Community Centre | 1,195,197 | - |
| Small Town Rehabilitation | 8,282,924 | - |
| Incubator | 2,048,324 | - |
| Grindrod Housing Account | 59,009 | - |
| Investment - Nedbank | 5,147,229 | 5,062,588 |
| Investment - Grindrod Bank | 5,415,657 | 5,113,454 |
| FNB Investment | 10,112,904 | - |
| Investment - ABSA | 10,541,902 | 5,109,831 |
| | 42,803,146 | 15,285,873 |

Funds not immediately available are invested with commercial banks in terms of the Cash and Investment policy and Municipal Investment Regulations.

Some other conditional grants agreements require that a separate investment (call account) be opened for them so that interest can be easily identified and accrued to the grant. These being the individual investments mentioned above and the remainder of investments is made up of own cash reserves and those grants not requiring separate investments account.

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|-----------------|------|------|
|-----------------|------|------|

10. Cash and cash equivalents (continued)

The municipality had the following bank accounts

| Account number / description | Bank statement balances | | | Cash book balances | | |
|--------------------------------------------------------|-------------------------|-------------------|-------------------|--------------------|-------------------|-------------------|
| | 30 June 2012 | 30 June 2011 | 30 June 2010 | 30 June 2012 | 30 June 2011 | 30 June 2010 |
| ABSA BANK - Cheque Account - 405-3562-762 | 9,948,834 | 4,527,731 | 1,613,583 | 9,948,834 | 4,473,846 | 1,613,583 |
| ABSA BANK - Cheque Account Semi-Dormant - 406-1817-353 | - | 3,938,667 | 47,260 | - | 3,938,531 | 48,436 |
| ABSA BANK - Savings Account Type - 914-2845-014 | 8,288,079 | 8,761,242 | 10,098,931 | 8,288,079 | 8,761,242 | 10,098,931 |
| ABSA BANK - Account Type - 916-8827-648 Closed Account | - | - | 1,458 | - | - | 1,458 |
| Total | 18,236,913 | 17,227,640 | 11,761,232 | 18,236,913 | 17,173,619 | 11,762,408 |

11. Finance lease obligation

Minimum lease payments due

| | | |
|------------------------------------------------|----------------|------------------|
| - within one year | 412,000 | 891,918 |
| - in second to fifth year inclusive | 12,320 | 356,206 |
| | 424,320 | 1,248,124 |
| less: future finance charges | (27,286) | (133,684) |
| Present value of minimum lease payments | 397,034 | 1,114,440 |

Present value of minimum lease payments due

| | | |
|-------------------------------------|----------------|------------------|
| - within one year | 384,714 | 724,523 |
| - in second to fifth year inclusive | 12,320 | 389,917 |
| | 397,034 | 1,114,440 |

| | | |
|-------------------------|----------------|------------------|
| Non-current liabilities | 12,320 | 389,917 |
| Current liabilities | 384,714 | 724,523 |
| | 397,034 | 1,114,440 |

Interest rates are fixed on the contract date. All lease payments escalate at between 10% and 15% p.a and no arrangements have been entered into for contingent rent.

The average lease term is 3 years and the average effective borrowing rate was 12% (2011: 12%).

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 3.

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|--------------------------------------------------------------|-------------------|-------------------|
| 12. Unspent conditional grants and receipts | | |
| Unspent conditional grants and receipts comprises of: | | |
| Unspent conditional grants and receipts | | |
| Municipal Government Grant | 23,974 | 23,974 |
| Capacity Building | 40,882 | 94,484 |
| Corridor Development | - | 1,784,115 |
| Multi-Purpose Community Centre | 500,000 | 500,000 |
| Municipal Finance Management Act Grant | 105,127 | 105,127 |
| Cybercadet | 105,857 | 118,729 |
| Intergated Development Plan | 4,604 | 4,604 |
| Municipal Infrastructure Grant | (291,543) | 747,455 |
| Financial System Grant | 1 | (345,444) |
| Management Assistance Programme grant | (5) | 216,498 |
| Municipal Systems Improvement Grant | 508,809 | 20,376 |
| Finance Management Grant | - | 9,729 |
| Public Participation | - | (60,438) |
| Synergistic | 245,906 | 245,906 |
| Bornem grant | 630,141 | 46,318 |
| Rehabilitation of CBD Roads grant | 7,108,780 | 9,000,000 |
| Library Volunteer | 7,268 | 5,078 |
| Small business incubator grant | 2,000,000 | - |
| Multi-Purpose Centre grant | 1,146,608 | - |
| Sportsfield grant (Isilonjane) | 18,393 | - |
| | 12,154,802 | 12,516,511 |

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised

See note Appendix F for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised. Other grants require that a separate investment account be opened and this has been complied with.

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|-----------------|------|------|
|-----------------|------|------|

13. Provisions

Reconciliation of provisions - 2012

| | Opening Balance | Additions | Utilised during the year | Total |
|------------------------------|------------------|---------------|--------------------------|------------------|
| Environmental rehabilitation | 193,766 | - | - | 193,766 |
| Leave pay provision | 1,434,982 | 62,660 | (96,020) | 1,401,622 |
| | 1,628,748 | 62,660 | (96,020) | 1,595,388 |

Reconciliation of provisions - 2011

| | Opening Balance | Additions | Utilised during the year | Total |
|------------------------------|------------------|----------------|--------------------------|------------------|
| Environmental rehabilitation | - | 193,766 | - | 193,766 |
| Leave pay provision | 1,455,967 | - | (20,985) | 1,434,982 |
| | 1,455,967 | 193,766 | (20,985) | 1,628,748 |

Basis of provisions

The municipality is required to provide for the rehabilitation of the landfill site after the end of its useful life. The cost to rehabilitate the landfill site has been estimated by the engineers to be R 500 000 and the remaining life is 10-12 years.

However in November the landfill site was permanently closed and no future use was permitted due to environmental regulations. The community participation on the project for the rehabilitation is being undertaken and the exact costs of such will be correctly identified after completion of the consultation.

The leave pay provision is based on the number of days each employee has accrued at year-end in terms of the South African Local Government Bargaining Agreement, and is calculated at termination rate.

14. DBSA Loan - Long-term portion

Refer to Appendix A for the reconciliation of external loans.

Instalments are paid half-yearly on equal installments on each loan.

| | | |
|-------------------------------------------------------------|------------------|------------------|
| DBSA Loan - account number 100524/2 (1% interest rate p.a) | 1,436,870 | 2,001,341 |
| DBSA Loan - account number 100524/3 (5% interest rate p.a.) | 1,045,620 | 1,244,243 |
| Less - Current Portion of DBSA Loans | (763,099) | (763,099) |
| | 1,719,391 | 2,482,485 |

15. Payables from exchange transactions

| | | |
|-------------------------------|------------------|------------------|
| Trade payables | 4,839,807 | 2,015,268 |
| Collections costs | 1,621 | - |
| Accrued bonus | 852,500 | 852,500 |
| Other payables | 72,079 | 52,525 |
| Retentions - Capital projects | - | 360,952 |
| | 5,766,007 | 3,281,245 |

16. Consumer deposits

| | | |
|-------------|--------|--------|
| Electricity | 90,687 | 90,687 |
|-------------|--------|--------|

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|-----------------------------------------------------------|--------------------|-------------------|
| 17. Revenue | | |
| Property rates | 5,871,748 | 5,990,029 |
| Property rates – Penalties imposed and collection charges | 543,006 | 739,289 |
| Service charges | 11,969,381 | 9,456,928 |
| Rental of facilities & equipment | 454,223 | 526,717 |
| Fines | 160,698 | 280,785 |
| Government grants & subsidies | 95,809,115 | 63,586,658 |
| Miscellaneous other revenue | 409,134 | 405,616 |
| | 115,217,305 | 80,986,022 |

The amount included in revenue arising from exchanges of goods or services are as follows:

| | | |
|----------------------------------|-------------------|-------------------|
| Service charges | 11,969,381 | 9,456,928 |
| Rental of facilities & equipment | 454,223 | 526,717 |
| Miscellaneous other revenue | 409,134 | 405,616 |
| | 12,832,738 | 10,389,261 |

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

| | | |
|-----------------------------------------------------------|-----------|-----------|
| Property rates | 5,871,748 | 5,990,029 |
| Property rates – Penalties imposed and collection charges | 543,006 | 739,289 |
| Fines | 160,698 | 280,785 |

Transfer revenue

| | | |
|--------------------------------------------|--------------------|-------------------|
| Government grants & subsidies | 95,809,115 | 63,586,658 |
| Loss on disposal of assets and liabilities | - | (138,511) |
| | 102,384,567 | 70,458,250 |

18. Property rates

Valuations

| | | |
|-------------|--------------------|--------------------|
| Residential | 240,655,000 | 321,583,000 |
| Commercial | 101,422,000 | 231,798,000 |
| State | 489,787,000 | 340,706,000 |
| Municipal | 101,898,000 | 25,432,000 |
| | 933,762,000 | 919,519,000 |

Valuations on land and buildings are performed every 3 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Different rate randage are charged for different categories of rate payers. No additional rebates were granted to any categories of ratepayers except for the compulsory phasing in of certain rates as contained in the Council's approved Property Rates Policy.

Rates are levied on a monthly basis in 12 equal installments payable on the 15th of the subsequent month. Interest is charged on outstanding rates accounts.

19. Service charges

| | | |
|---------------------|-------------------|------------------|
| Sale of electricity | 8,374,613 | 6,222,647 |
| Refuse removal | 3,594,768 | 3,234,281 |
| | 11,969,381 | 9,456,928 |

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|------------------------------------------------------------------|-------------------|-------------------|
| 20. Government grants and subsidies recognised in revenue | | |
| Equitable share | 62,778,000 | 47,451,442 |
| Corridor Development Grant | 1,784,115 | 548,384 |
| Cybercadet Grant | 224,472 | 663,854 |
| Municipal Assistance Programme Grant Income | 216,502 | 310,148 |
| Financial Management Grant | 1,517,942 | 1,196,138 |
| Municipal System Improve Grant | 305,666 | 734,490 |
| Capacity Building Grant | 53,603 | 104,649 |
| Public Participation Income | 15,000 | - |
| Synergetic Partnership Program | - | 1,544 |
| Youth Fund | - | 22,469 |
| Municipal Governance Grant | - | 576,026 |
| Library Support grant | 466,680 | - |
| Library Volunteer Grant | 15,810 | 6,922 |
| Bornem Grant | 31,093 | 101,568 |
| Anti-Corruption Strategy Grant | - | 39,085 |
| Municipal Infrastructure Grant | 22,419,951 | 11,829,939 |
| Sports-field grant | 821,607 | - |
| CBD Roads Rehabilitation | 4,891,220 | - |
| Multi-purpose community center grant | 20,392 | - |
| Urban Renewal Framework Grant | 247,062 | - |
| | 95,809,115 | 63,586,658 |

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Governance Grant

| | | |
|-----------------------------------------|---------------|---------------|
| Balance unspent at beginning of year | 23,974 | 600,000 |
| Conditions met - transferred to revenue | - | (576,026) |
| | 23,974 | 23,974 |

Conditions still to be met - remain liabilities (see note 12).

Capacity Building Grant

| | | |
|-----------------------------------------|---------------|---------------|
| Balance unspent at beginning of year | 94,484 | 199,133 |
| Conditions met - transferred to revenue | (53,602) | (104,649) |
| | 40,882 | 94,484 |

Conditions still to be met - remain liabilities (see note 12).

Corridor Development Grant

| | | |
|-----------------------------------------|-------------|------------------|
| Balance unspent at beginning of year | 1,784,115 | 2,332,499 |
| Conditions met - transferred to revenue | (1,784,115) | (548,384) |
| | - | 1,784,115 |

Conditions still to be met - remain liabilities (see note 12).

MPCC Grant

| | | |
|--------------------------------------|---------|---------|
| Balance unspent at beginning of year | 500,000 | 500,000 |
|--------------------------------------|---------|---------|

Conditions still to be met - remain liabilities (see note 12).

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|------------------------------------------------------------------------------|----------------|------------------|
| 20. Government grants and subsidies recognised in revenue (continued) | | |
| MFMA Grant (Provincial) | | |
| Balance unspent at beginning of year | 105,127 | 105,127 |
| Conditions still to be met - remain liabilities (see note 12). | | |
| Cybercadet Grant | | |
| Balance unspent at beginning of year | 118,729 | 139,050 |
| Current-year receipts | - | 643,533 |
| Conditions met - transferred to revenue | (12,872) | (663,854) |
| | 105,857 | 118,729 |
| Conditions still to be met - remain liabilities (see note 12). | | |
| IDP Grant | | |
| Balance unspent at beginning of year | 4,604 | 4,604 |
| Conditions still to be met - remain liabilities (see note 12). | | |
| Municipal Infrastructure Grant | | |
| Balance unspent at beginning of year | 608,408 | (535,142) |
| Current-year receipts | - | 12,977,000 |
| Conditions met - transferred to revenue | - | (11,833,450) |
| | 608,408 | 608,408 |
| Conditions still to be met - remain liabilities (see note 12). | | |
| Financial System Grant (DBSA & COGTA) | | |
| Balance unspent at beginning of year | (345,444) | (345,444) |
| Current-year receipts | 345,445 | - |
| | 1 | (345,444) |
| Conditions still to be met - remain liabilities (see note 12). | | |
| Management Assistance Program Grant (MAP) | | |
| Balance unspent at beginning of year | 216,498 | 526,640 |
| Conditions met - transferred to revenue | (216,503) | (310,142) |
| | (5) | 216,498 |
| Conditions still to be met - remain liabilities (see note 12). | | |
| Municipal Systems Improvement Grant | | |
| Balance unspent at beginning of year | 20,376 | 4,867 |
| Current-year receipts | 790,000 | 750,000 |
| Conditions met - transferred to revenue | (810,376) | (734,491) |
| | - | 20,376 |
| Conditions still to be met - remain liabilities (see note 12). | | |

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| 20. Government grants and subsidies recognised in revenue (continued) | | |
| Housing Grant | | |
| Balance unspent at beginning of year | (110,100) | (110,100) |
| Conditions still to be met - remain liabilities (see note 12). | | |
| Finance Management Grant (National Treasury) | | |
| Balance unspent at beginning of year | 9,729 | 1,638 |
| Current-year receipts | 1,500,000 | 1,250,000 |
| Conditions met - transferred to revenue | (1,509,729) | (1,241,909) |
| | - | 9,729 |
| Conditions still to be met - remain liabilities (see note 12). | | |
| Public Participation Grant | | |
| Balance unspent at beginning of year | (60,438) | (60,438) |
| Current-year receipts | 60,438 | - |
| | - | (60,438) |
| Conditions still to be met - remain liabilities (see note 12). | | |
| Synergistic Partnership Grant | | |
| Balance unspent at beginning of year | 245,906 | 247,450 |
| Conditions met - transferred to revenue | - | (1,544) |
| | 245,906 | 245,906 |
| Conditions still to be met - remain liabilities (see note 12). | | |
| Youth Fund Grant (Umsobomvu/NYDA) | | |
| Balance unspent at beginning of year | (22,469) | - |
| Conditions met - transferred to revenue | - | (22,469) |
| | (22,469) | (22,469) |
| Conditions still to be met - remain liabilities (see note 12). | | |
| Changes in level of government grants | | |
| Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2011), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years. | | |

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|-----------------------------------|-------------------|------------------|
| 21. Other income | | |
| 22. General expenses | | |
| Advertising | 208,742 | 102,073 |
| Auditors remuneration | 1,695,124 | 1,458,316 |
| Bank charges | 79,636 | 69,697 |
| Cleaning | 117,522 | - |
| Consulting and professional fees | 1,475,141 | 1,633,085 |
| Consumables | 288,986 | 742,136 |
| Donations | 1,500 | - |
| Entertainment | 23,148 | 50,995 |
| Fines and penalties | 30,422 | 28,976 |
| Hire | 3,932 | - |
| Insurance | 560,938 | 400,765 |
| Youth development | 1,279,335 | 476,233 |
| IT expenses | 85,545 | 51,690 |
| Vehicle rentals | 101,865 | - |
| Marketing | 93,992 | 55,532 |
| Promotions and sponsorships | 403,662 | - |
| Motor vehicle expenses | 40,095 | 26,659 |
| Fuel and oil | 867,320 | 484,934 |
| Printing and stationery | 320,198 | 323,094 |
| Community Development Projects | 1,659,359 | 1,019,157 |
| Software expenses | 358,486 | 245,966 |
| Subscriptions and membership fees | 400,000 | 147,835 |
| Telephone and fax | 433,644 | 364,044 |
| Training | 283,576 | 38,873 |
| Travel - local | 1,025,702 | 293,123 |
| Electricity | 420,595 | 167,159 |
| Uniforms | 122,457 | 146,110 |
| Tourism development | 104,500 | 55,000 |
| Audit Committee | 59,773 | 24,843 |
| Indigent (FBE) | 1,395,222 | 1,041,598 |
| VAT adjustment | - | (880,697) |
| Other expenses | 9,007 | 12,139 |
| Environmental provisions | - | 15,999 |
| | 13,949,424 | 8,595,334 |

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|-------------------------------------------------|-------------------|-------------------|
| 23. Employee related costs | | |
| Basic | 12,717,005 | 12,217,958 |
| Bonus | 874,358 | 993,076 |
| Medical aid - company contributions | 606,830 | 540,873 |
| UIF | 115,530 | 114,184 |
| SDL | 150,759 | 144,692 |
| Leave pay provision charge | 62,661 | 72,021 |
| Group Life Insurance | 8,787 | 11,070 |
| Pension fund contributions | 1,398,194 | 1,408,208 |
| Overtime payments | 69,240 | 67,546 |
| Car allowance | 886,876 | 1,085,150 |
| Housing benefits and allowances | 350,812 | 300,286 |
| Telephone and Cellphone Allowance | 60,028 | 59,462 |
| | 17,301,080 | 17,014,526 |
| Remuneration of municipal manager | | |
| Annual Remuneration | 782,940 | 782,940 |
| Contributions to UIF, Medical and Pension Funds | 9,079 | 9,083 |
| Cellphone Allowance | 12,000 | 12,000 |
| | 804,019 | 804,023 |
| Remuneration of chief finance officer | | |
| Annual Remuneration | 689,547 | 636,940 |
| Contributions to UIF, Medical and Pension Funds | 7,920 | 7,356 |
| Cellphone Allowance | 6,000 | 6,000 |
| | 703,467 | 650,296 |
| Corporate and community resources | | |
| Annual Remuneration | 621,147 | 621,147 |
| Contributions to UIF, Medical and Pension Funds | 7,570 | 7,570 |
| Cellphone Allowances | 6,000 | 6,000 |
| | 634,717 | 634,717 |
| Development planning and Housing | | |
| Annual Remuneration | 621,147 | 531,615 |
| Contributions to UIF, Medical and Pension Funds | 7,621 | 5,995 |
| Cellphone Allowance | 6,000 | 6,000 |
| | 634,768 | 543,610 |
| Technical Services | | |
| Annual Remuneration | 621,147 | 614,367 |
| Contributions to UIF, Medical and Pension Funds | 7,242 | 7,112 |
| Cellphone Allowance | 6,000 | 6,000 |
| | 634,389 | 627,479 |

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| 24. Remuneration of councillors | | |
| Mayor | 326,869 | 313,268 |
| Deputy Mayor | 263,845 | 253,595 |
| Executive Committee Members | 992,356 | 970,721 |
| Speaker | 263,845 | 254,097 |
| Ordinary Councillors | 4,910,116 | 4,174,079 |
| Contributions to UIF and SDL | 38,292 | 84,987 |
| | 6,795,323 | 6,050,747 |
| In-kind benefits | | |
| The Mayor, Deputy Mayor, Speaker are part-time. Each is provided with an office and the Mayor is provided with secretarial support at the cost of the Council. | | |
| The Mayor have the use of Council owned vehicle for official duties. | | |
| The Mayor has one full-time driver. | | |
| 25. Debt impairment | | |
| Provision for bad debts | 2,201,627 | 1,685,214 |
| 26. Investment revenue | | |
| Interest revenue | | |
| Bank | 2,255,249 | 528,637 |
| 27. Depreciation and amortisation | | |
| Property, plant and equipment | 4,713,440 | 4,130,426 |
| Intangible assets | 11,377 | 2,270 |
| | 4,724,817 | 4,132,696 |
| 28. Finance costs | | |
| Non-current borrowings | 78,171 | 91,303 |
| Finance leases | 122,266 | 181,132 |
| | 200,437 | 272,435 |
| 29. Auditors' remuneration | | |
| Fees | 1,695,124 | 1,458,316 |
| 30. Contracted services | | |
| Firefighting Services | 1,101,377 | 1,044,479 |
| Security | 1,414,916 | 520,992 |
| | 2,516,293 | 1,565,471 |

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|--------------------------------------------------------|--------------------|--------------------|
| 31. Grants and subsidies paid | | |
| Municipal Systems Improvement Grant | 318,462 | 660,463 |
| Cybercadet Grant | 221,593 | 656,815 |
| Corridor Development Grant | 1,607,365 | 481,100 |
| Synergistic Partnership | - | 1,544 |
| Management Assistance Program | 359,367 | 278,415 |
| Municipal Finance Management Grant | 1,430,616 | 958,022 |
| Bornem Grant | 68,587 | 96,363 |
| Library grant | 468,970 | - |
| Youth Fund Grant (NYDA) | - | 22,469 |
| Municipal Governance Grant | - | 576,026 |
| Anti-Corruption Strategy | - | 39,085 |
| Capacity Building | - | 138,817 |
| MPCC Grant expenditure | 20,392 | - |
| | 4,495,352 | 3,909,119 |
| 32. Bulk purchases | | |
| Electricity | 11,552,508 | 9,129,916 |
| 33. Cash generated from operations | | |
| Surplus | 53,230,072 | 28,593,423 |
| Adjustments for: | | |
| Depreciation and amortisation | 4,724,817 | 4,132,696 |
| Loss on sale of assets and liabilities | - | 138,511 |
| Fair value adjustments | - | (8,271,107) |
| Finance costs - Finance leases | 122,266 | 181,132 |
| Debt impairment | 2,201,627 | 1,685,214 |
| Movements in provisions | (33,360) | 172,781 |
| Prior year adjustment | - | 7,152,876 |
| Changes in working capital: | | |
| Inventories | (34,920) | 146,139 |
| Other receivables from exchange transactions | 492,730 | (676,183) |
| Consumer debtors | 1,675,047 | (5,788,898) |
| Payables from exchange transactions | 2,484,767 | (2,235,328) |
| VAT | (2,568,724) | 123,923 |
| Unspent conditional grants and receipts | (361,709) | 8,242,471 |
| Consumer deposits | - | 5,014 |
| | 61,932,613 | 33,602,664 |
| 34. Movement in working capital | | |
| Movement in receivables | | |
| Trade and other receivables from exchange transactions | 492,730 | (676,183) |
| Value Added Tax (VAT) | (2,622,159) | 123,923 |
| Inventory | 421,085 | 146,139 |
| Consumer debtors | 1,676,511 | (5,788,898) |
| | (31,833) | (6,195,019) |
| Movement in payables | | |
| Trade and other payables from exchange transactions | (2,173,759) | (2,235,328) |
| Unspent conditional grants and receipts | (361,709) | 8,242,471 |
| Consumer deposits | - | 5,014 |
| Movements in provisions | (33,360) | 172,781 |
| | (2,568,828) | 6,184,938 |

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

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| Figures in Rand | 2012 | 2011 |
|----------------------------------------------------|-------------------|-------------------|
| 34. Movement in working capital (continued) | | |
| Non-cash movements | | |
| Depreciation | 4,867,982 | 4,132,696 |
| Loss on sale of assets and liabilities | - | 138,511 |
| Debt impairment | 2,180,087 | 1,685,214 |
| | 7,048,069 | 5,956,421 |
| 35. Commitments | | |
| Authorised capital expenditure | | |
| Already contracted | | |
| • Property, plant and equipment | - | 1,735,256 |
| • Property, plant and equipment (Work in progress) | 29,880,842 | 28,750,505 |
| | 29,880,842 | 30,485,761 |

This committed expenditure relates to plant and equipment and will be financed by retained surpluses, unspent grants, existing cash resources, funds internally generated, etc.

36. Contingencies

The Municipality has the following contingent liabilities:

A middle-income housing developer contracted by the municipality is suing the municipality for an alleged breach of the contract and the municipality is defending the matter and is awaiting legal advice of the Senior Counsel (there are also various cases linked to this case, which maybe treated as one which were lodged by prospective buyers), exact amounts cannot be determined because the developer has been refusing to handover all the information to the municipality.

Litigation is in process against the municipality relating to a dispute with an ex-staff member who is claiming accumulated leave of approximately R308 000, 00 together with interest of 15, 5 %. The matter is still under litigation.

The ex-staff member has referred an application for review to the labour court claiming he was unfairly dismissed. The matter is still under litigation. Re-instatement or buy-out but no value is available.

A supplier instituted action in the High Court claiming approximately R2 500 000 plus interest. The municipality has raised a counterclaim of R750 000, 00. The supplier's claim is contrary to the agreed contract with the municipality and the matter is still under litigation.

A cession holder is co-suing the municipality for the unpaid cession that was entered into with a contractor appointed by the municipality for an amount of R 170 000, the municipality is defending this claim as the contractor never submitted the notice to pay the cession holder.

37. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: the current global economic crisis may have effect whereby businesses closes and fail to pay their debts due, also the unemployment levels will increase and more debts maybe written-off.

38. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|----------------|
| 39. Fruitless and wasteful expenditure | | |
| Interest paid - overdue payables | 30,436 | 19,974 |
| SARS - penalties on late payments | - | 289,652 |
| | 30,436 | 309,626 |
| The matter is being investigated by the office of the Accounting Officer for possible disciplinary action against the official who caused the municipality to suffer loss. | | |
| 40. Additional disclosure in terms of Municipal Finance Management Act | | |
| Contributions to organised local government | | |
| Amount paid - current year | 400,000 | 134,395 |
| Audit fees | | |
| Current year subscription / fee | 940,922 | 913,073 |
| Amount paid - current year | (940,922) | (913,073) |
| | - | - |
| PAYE and UIF | | |
| Current year deductions and council contributions | 3,524,383 | 3,449,567 |
| Amount paid - current year | (3,524,383) | (3,449,567) |
| | - | - |
| Pension and Medical Aid Deductions | | |
| Current year deductions and council contributions | 2,797,232 | 3,378,744 |
| Amount paid - current year | (2,797,232) | (3,378,744) |
| | - | - |
| VAT | | |
| VAT receivable | 3,229,632 | 660,908 |

All VAT returns have been submitted by the due date throughout the year.

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|-----------------|------|------|
|-----------------|------|------|

40. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2012:

| 30 June 2012 | Outstanding less than 90 days | Outstanding more than 90 days | Total |
|------------------------|-------------------------------------|-------------------------------------|---------------|
| Councilor IT Nhlebela | 738 | 2,287 | 3,025 |
| Councilor IT Nhlebela | 747 | 2,606 | 3,353 |
| Councilor IT Nhlebela | 731 | 2,056 | 2,787 |
| Councilor LS Holfman | 342 | - | 342 |
| | 2,558 | 6,949 | 9,507 |
| 30 June 2011 | Outstanding less than 90 days | Outstanding more than 90 days | Total |
| Councillor IT Nhlebela | 765 | 5,108 | 5,873 |
| Councillor IT Nhlebela | 765 | 5,111 | 5,876 |
| Councillor IT Nhlebela | 758 | 4,687 | 5,445 |
| | 2,288 | 14,906 | 17,194 |

41. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the annual financial statements.

No supply chain management regulations deviations were recorded in this financial year

42. Material Losses - Electricity

| Electricity losses | kWh | R |
|------------------------|-------------------|------------------|
| Purchased | 17,883,398 | 11,598,974 |
| Sold | (6,617,080) | (8,862,220) |
| Own consumption | (106,865) | (89,985) |
| Free Basic Electricity | (44,800) | (46,467) |
| Material Losses | 11,114,653 | 2,600,302 |

The municipality is licensed by the National Electricity Regulator of South Africa to distribute electricity within the proclaimed area of Nquthu Town.

The municipality has investigated the causes of the losses and the major contributing factor are illegal connections and tampering.

43. Indigent support

Free Basic Electricity

| | | |
|------------------------|-----------|-----------|
| Indigent Support(FBE) | 1,395,222 | 1,041,598 |
|------------------------|-----------|-----------|

All Eskom customers qualify for Free Basic Electricity (FBE) which is 50kWh per month

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|-----------------|------|------|
|-----------------|------|------|

43. Indigent support (continued)

Households amounting to 779 are subsidized for alternative energy per month on the solar panels projects for those areas without electricity as yet, installations to other households is proceeding.

Electricity customers serviced by our licence also get a 50kWh every month. The management has been tasked to develop a policy where only deserving households benefits in all these rather than the current blanket approach.

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand

44. Statement of comparative and actual information

2012

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final budget | Actual outcome | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|----------------------------------------------------------------------|----------------------|-----------------------------------------------------------------|----------------------|---------------------|---------------------|----------------------------------------------|-------------------------------------------------|
| Financial Performance | | | | | | | |
| Property rates | 9,814,409 | 9,814,409 | 9,814,409 | 6,414,754 | 3,399,655 | 65 % | 65 % |
| Service charges | 15,312,084 | 15,312,084 | 15,312,084 | 11,969,381 | 3,342,703 | 78 % | 78 % |
| Investment revenue | 432,000 | 432,000 | 432,000 | 2,255,249 | (1,823,249) | 522 % | 522 % |
| Transfers recognised - operational | 65,766,600 | 65,766,600 | 65,766,600 | 67,408,883 | (1,642,283) | 102 % | 102 % |
| Other own revenue | 1,191,057 | 1,191,057 | 1,191,057 | 1,095,884 | 95,173 | 92 % | 92 % |
| Total revenue (excluding capital transfers and contributions) | 92,516,150 | 92,516,150 | 92,516,150 | 89,144,151 | 3,371,999 | 96 % | 96 % |
| Employee costs | (23,487,427) | (23,487,427) | (23,487,427) | (17,301,080) | (6,186,347) | 74 % | 74 % |
| Remuneration of councillors | (7,337,610) | (7,337,610) | (7,337,610) | (6,795,323) | (542,287) | 93 % | 93 % |
| Debt impairment | (2,500,000) | (2,500,000) | (2,500,000) | (2,201,627) | (298,373) | 88 % | 88 % |
| Depreciation and asset impairment | (4,900,000) | (4,900,000) | (4,900,000) | (4,724,817) | (175,183) | 96 % | 96 % |
| Finance charges | (290,692) | (290,692) | (290,692) | (200,437) | (90,255) | 69 % | 69 % |
| Bulk purchases - electricity | (11,676,892) | (11,676,892) | (11,676,892) | (11,552,508) | (124,384) | 99 % | 99 % |
| Transfers and grants | (24,000,600) | (24,000,600) | (24,000,600) | (4,495,352) | (19,505,248) | 19 % | 19 % |
| Other expenditure | (29,416,723) | (29,416,723) | (29,416,723) | (17,043,167) | (12,373,556) | 58 % | 58 % |
| Total expenditure | (103,609,944) | (103,609,944) | (103,609,944) | (64,314,311) | (39,295,633) | 62 % | 62 % |
| Surplus/(Deficit) | (11,093,794) | (11,093,794) | (11,093,794) | 24,829,840 | (35,923,634) | (224)% | (224)% |

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand

44. Statement of comparative and actual information (continued)

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final budget | Actual outcome | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--------------------------------------------------------------------|--------------------|-----------------------------------------------------------------|---------------------|-------------------|---------------------|----------------------------------------------|-------------------------------------------------|
| Transfers recognised - capital | 30,699,000 | - | - | 28,400,232 | (28,400,232) | DIV/0 % | 93 % |
| Surplus (Deficit) after capital transfers and contributions | 19,605,206 | (11,093,794) | (11,093,794) | 53,230,072 | (64,323,866) | (480)% | 272 % |
| Surplus/(Deficit) for the year | 19,605,206 | (11,093,794) | (11,093,794) | 53,230,072 | (64,323,866) | (480)% | 272 % |

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand

44. Statement of comparative and actual information (continued)

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final budget | Actual outcome | Variance | Actual outcome as of final budget | Actual outcome as of original budget |
|----------------------------------------------|--------------------|-----------------------------------------------------------------|--------------|-------------------|--------------|--------------------------------------------|-----------------------------------------------|
| Capital expenditure and funds sources | | | | | | | |
| Total capital expenditure | 27,180,000 | - | - | 31,840,749 | (31,840,749) | DIV/0 % | 117 % |
| Sources of capital funds | | | | | | | |
| Transfers recognised - capital | 17,477,000 | - | - | - | - | DIV/0 % | - % |
| Internally generated funds | 23,000 | - | - | - | - | DIV/0 % | - % |
| Total sources of capital funds | 17,500,000 | - | - | - | - | DIV/0 % | - % |

Explanation of variance of above 10%

1. Property rates:- the revenue foregone through rebates

2. Service charges:- the electricity revenue is dependant on the usage by consumers

3. Interest received:- we are discouraged to have excess cash and we do not budget for investments but should there e excess cash it is invested.

4. Grants:- disclosure of capital grants

5. Other revenue:- electricity tempering penalties are dependent on successful investigations and cannot be estimated accurately

6. Employee costs:- control of overtime and employees not utilising benefits like housing.

7. Debt impairment:- a revised calculation during audit increase the provision

8. Depreciation and asset impairment:- as part of GRAP 17 and directive 4 the PPE component is still being finalised and the depreciation calculations are not yet final.

9. Finance charges:- interest on finance

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand

44. Statement of comparative and actual information (continued)

10. Bulk purchases - electricity:- based on consumption by residents which is fluctuating

11. Transfers and grants:- disclosure of capital grants

12. Other expenditure:-

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Schedule of external loans as at 30 June 2011

| Loan Number | Redeemable | Balance at 30 June 2011 | Received during the period | Redeemed written off during the period | Balance at 30 June 2012 | Carrying Value of Property, Plant & Equip Rand | Other Costs in accordance with the MFMA Rand |
|-----------------------------------------|------------------------|--------------------------------|-----------------------------------|-----------------------------------------------|--------------------------------|-----------------------------------------------------------|-----------------------------------------------------|
| | | Rand | Rand | Rand | Rand | | |
| Development Bank of South Africa | | | | | | | |
| DBSA Loan @ 1% | 100524/2 December 2014 | 2,001,341 | - | 564,471 | 1,436,870 | 6,330,266 | - |
| DBSA Loan @ 5% | 100524/3 January 2016 | 1,244,243 | - | 198,623 | 1,045,620 | 1,604,137 | - |
| | | 3,245,584 | - | 763,094 | 2,482,490 | 7,934,403 | - |
| Total external loans | | 3,245,584 | - | 763,094 | 2,482,490 | 7,934,403 | - |

Nquthu Local Municipality
Nquthu Local Municipality
Appendix B
June 2012

Analysis of property, plant and equipment as at 30 June 2012

| | Cost/Revaluation | | | | | | Accumulated depreciation | | | | | | | |
|--|----------------------------|-------------------|-------------------|-------------------|----------------------|-------------------------------------|----------------------------|----------------------------|-------------------|-------------------|----------------------|-------------------------|----------------------------|---------------------------|
| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |

Land and buildings

| | | | | | | | | | | | | | | |
|-------------------------------------------------------------------|-------------------|------------------|----------|------------------|----------|----------|-------------------|--------------------|----------|----------|------------------|----------|--------------------|-------------------|
| Land (Separate for AFS purposes) | 13,270,852 | - | - | - | - | - | 13,270,852 | - | - | - | - | - | - | 13,270,852 |
| Dwellings | 2,147,549 | - | - | - | - | - | 2,147,549 | (84,871) | - | - | (80,779) | - | (165,650) | 1,981,899 |
| Buildings - non residential (Separate for AFS purposes) | 22,166,128 | 805,256 | - | - | - | - | 22,971,384 | (3,498,616) | - | - | (806,381) | - | (4,304,997) | 18,666,387 |
| Buildings - Assets under construction (Separate for AFS purposes) | 1,504,748 | 4,017,377 | - | (808,756) | - | - | 4,713,369 | - | - | - | - | - | - | 4,713,369 |
| | 39,089,277 | 4,822,633 | - | (808,756) | - | - | 43,103,154 | (3,583,487) | - | - | (887,160) | - | (4,470,647) | 38,632,507 |

Infrastructure

| | | | | | | | | | | | | | | |
|----------------------------|-------------------|-------------------|----------|--------------------|----------|----------|-------------------|---------------------|----------|----------|--------------------|----------|---------------------|-------------------|
| Roads, Pavements & Bridges | 23,149,808 | 9,449,913 | - | - | - | - | 32,599,721 | (8,913,080) | - | - | (1,727,834) | - | (10,640,914) | 21,958,807 |
| Electricity | 7,650,379 | - | - | - | - | - | 7,650,379 | (4,816,764) | - | - | (253,338) | - | (5,070,102) | 2,580,277 |
| Roads Under Construction | 8,084,372 | 22,630,733 | - | (9,449,913) | - | - | 21,265,192 | - | - | - | - | - | - | 21,265,192 |
| | 38,884,559 | 32,080,646 | - | (9,449,913) | - | - | 61,515,292 | (13,729,844) | - | - | (1,981,172) | - | (15,711,016) | 45,804,276 |

Community Assets

| | | | | | | | | | | | | | | |
|--------------|------------------|----------|----------|----------|----------|----------|------------------|--------------------|----------|----------|-----------------|----------|--------------------|----------------|
| Refuse sites | 1,800,465 | - | - | - | - | - | 1,800,465 | (1,096,561) | - | - | (33,032) | - | (1,129,593) | 670,872 |
| Cemeteries | 142,712 | - | - | - | - | - | 142,712 | (30,756) | - | - | (6,464) | - | (37,220) | 105,492 |
| | 1,943,177 | - | - | - | - | - | 1,943,177 | (1,127,317) | - | - | (39,496) | - | (1,166,813) | 776,364 |

June 2012

Cost/Revaluation

Heritage assets

| | | | | | | | | | | | | | | |
|-----------|---------------|---|---|---|---|---|---------------|---|---|---|---|---|---|---------------|
| Jewellery | 78,888 | - | - | - | - | - | 78,888 | - | - | - | - | - | - | 78,888 |
| | 78,888 | - | - | - | - | - | 78,888 | - | - | - | - | - | - | 78,888 |

Other assets

| | | | | | | | | | | | | | | |
|-----------------------|-------------------|------------------|--------------------|---|---|---|-------------------|--------------------|------------------|---|--------------------|---|--------------------|-------------------|
| Motor Vehicles | 3,331,456 | 3,061,937 | (2,696,547) | - | - | - | 3,696,846 | (2,430,910) | 2,091,278 | - | (254,518) | - | (594,150) | 3,102,696 |
| Plant & equipment | 6,040,759 | 21,298 | (1,899,165) | - | - | - | 4,162,892 | (2,000,804) | 1,280,434 | - | (331,095) | - | (1,051,465) | 3,111,427 |
| Computer Equipment | 995,458 | 299,486 | (299,557) | - | - | - | 1,205,387 | (456,349) | 67,472 | - | (165,275) | - | (554,152) | 651,235 |
| Office Equipment | 1,893,033 | 200,816 | (41,628) | - | - | - | 2,052,221 | (593,384) | 21,261 | - | (258,678) | - | (830,801) | 1,221,420 |
| Bins and Containers | 5,594 | 463,400 | - | - | - | - | 468,994 | (4,847) | - | - | (1,388) | - | (6,235) | 462,759 |
| Other Assets - Leased | 1,996,212 | 295,100 | (197,800) | - | - | - | 2,093,512 | (982,135) | 56,682 | - | (731,468) | - | (1,656,921) | 436,591 |
| Assets Held for sale | 4,726,896 | - | - | - | - | - | 4,726,896 | (3,316,953) | - | - | (143,165) | - | (3,460,118) | 1,266,778 |
| | 18,989,408 | 4,342,037 | (4,924,697) | - | - | - | 18,406,748 | (9,785,382) | 3,517,127 | - | (1,885,587) | - | (8,153,842) | 10,252,904 |

Total property plant and equipment

| | | | | | | | | | | | | | | |
|--------------------|-------------------|-------------------|--------------------|---------------------|---|---|--------------------|---------------------|------------------|---|--------------------|---|---------------------|-------------------|
| Land and buildings | 39,089,277 | 4,822,633 | - | (808,756) | - | - | 43,103,154 | (3,583,487) | - | - | (887,160) | - | (4,470,647) | 38,632,507 |
| Infrastructure | 38,884,559 | 32,080,646 | - | (9,449,913) | - | - | 61,515,292 | (13,729,844) | - | - | (1,981,172) | - | (15,711,016) | 45,804,276 |
| Community Assets | 1,943,177 | - | - | - | - | - | 1,943,177 | (1,127,317) | - | - | (39,496) | - | (1,166,813) | 776,364 |
| Heritage assets | 78,888 | - | - | - | - | - | 78,888 | - | - | - | - | - | - | 78,888 |
| Other assets | 18,989,408 | 4,342,037 | (4,924,697) | - | - | - | 18,406,748 | (9,785,382) | 3,517,127 | - | (1,885,587) | - | (8,153,842) | 10,252,906 |
| | 98,985,309 | 41,245,316 | (4,924,697) | (10,258,669) | - | - | 125,047,259 | (28,226,030) | 3,517,127 | - | (4,793,415) | - | (29,502,318) | 95,544,941 |

Intangible assets

| | | | | | | | | | | | | | | |
|------------------------------------|---------------|----------|----------|----------|----------|----------|---------------|-----------------|----------|----------|-----------------|----------|-----------------|---------------|
| Computers - software & programming | 80,830 | - | - | - | - | - | 80,830 | (30,425) | - | - | (11,377) | - | (41,802) | 39,028 |
| | 80,830 | - | - | - | - | - | 80,830 | (30,425) | - | - | (11,377) | - | (41,802) | 39,028 |

Investment properties

| | | | | | | | | | | | | | | |
|---------------------|------------------|----------|----------|----------|----------|----------|------------------|------------------|----------|----------|-----------------|----------|------------------|------------------|
| Investment property | 1,999,640 | - | - | - | - | - | 1,999,640 | (705,377) | - | - | (66,605) | - | (771,982) | 1,227,658 |
| | 1,999,640 | - | - | - | - | - | 1,999,640 | (705,377) | - | - | (66,605) | - | (771,982) | 1,227,658 |

Total

| | | | | | | | | | | | | | | |
|-----------------------|--------------------|-------------------|--------------------|---------------------|---|---|--------------------|---------------------|------------------|---|--------------------|---|---------------------|-------------------|
| Land and buildings | 39,089,277 | 4,822,633 | - | (808,756) | - | - | 43,103,154 | (3,583,487) | - | - | (887,160) | - | (4,470,647) | 38,632,507 |
| Infrastructure | 38,884,559 | 32,080,646 | - | (9,449,913) | - | - | 61,515,292 | (13,729,844) | - | - | (1,981,172) | - | (15,711,016) | 45,804,276 |
| Community Assets | 1,943,177 | - | - | - | - | - | 1,943,177 | (1,127,317) | - | - | (39,496) | - | (1,166,813) | 776,364 |
| Heritage assets | 78,888 | - | - | - | - | - | 78,888 | - | - | - | - | - | - | 78,888 |
| Other assets | 18,989,408 | 4,342,037 | (4,924,697) | - | - | - | 18,406,748 | (9,785,382) | 3,517,127 | - | (1,885,587) | - | (8,153,842) | 10,252,906 |
| Intangible assets | 80,830 | - | - | - | - | - | 80,830 | (30,425) | - | - | (11,377) | - | (41,802) | 39,028 |
| Investment properties | 1,999,640 | - | - | - | - | - | 1,999,640 | (705,377) | - | - | (66,605) | - | (771,982) | 1,227,658 |
| | 101,065,779 | 41,245,316 | (4,924,697) | (10,258,669) | - | - | 127,127,729 | (28,961,832) | 3,517,127 | - | (4,871,397) | - | (30,316,102) | 96,811,627 |

Analysis of property, plant and equipment as at 30 June 2012

| Cost/Revaluation | | | | | | Accumulated depreciation | | | | | | | |
|----------------------------|-------------------|-------------------|-------------------|----------------------|-------------------------------------|---------------------------------|----------------------------|-------------------|-------------------|----------------------|-------------------------|----------------------------|---------------------------|
| Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |

| Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
|----------------------------|-------------------|-------------------|-------------------|----------------------|-------------------------------------|----------------------------|----------------------------|-------------------|-------------------|----------------------|-------------------------|----------------------------|---------------------------|
| | | | | | | | | | | | | | |

June 2012

| Segmental analysis of property, plant and equipment as at 30 June 2012 | |
|------------------------------------------------------------------------|---------------------------------|
| Cost/Revaluation | Accumulated Depreciation |
| <p>Land and buildings</p> <p>Cost</p> <p>Revaluation</p> | <p>Accumulated Depreciation</p> |

| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment deficit Rand | Closing Balance Rand | Carrying value Rand |
|----------------------------------------------------|----------------------------|-------------------|-------------------|-------------------|----------------------|-------------------------------------|----------------------------|----------------------------|-------------------|-------------------|----------------------|----------------------------|----------------------------|---------------------------|
| Municipality | | | | | | | | | | | | | | |
| Executive & Council/Mayor and Council | 674,509 | 433,297 | - | - | - | - | 1,107,806 | (112,757) | - | - | (117,879) | - | (230,636) | 877,170 |
| Finance | 3,715,106 | 50,387 | (138,153) | - | - | - | 3,627,340 | (458,601) | 102,271 | - | (212,125) | - | (568,455) | 3,058,885 |
| Municipal Manager | 18,039,914 | 8,341,205 | (1,410,356) | - | - | - | 24,970,763 | (4,602,685) | 291,407 | - | (613,413) | - | (4,924,691) | 20,046,072 |
| Planning and Development/Economic Development/Plan | 299,782 | 479,180 | (861) | - | - | - | 778,081 | (140,130) | 338 | - | (74,338) | - | (214,130) | 563,951 |
| Corporate Services | 15,457,956 | 1,974,374 | (233,509) | - | - | - | 17,198,821 | (2,813,316) | 183,253 | - | (1,094,693) | - | (3,724,756) | 13,474,065 |
| Works | 62,878,512 | 29,694,171 | (13,400,466) | - | - | - | 79,172,217 | (20,834,342) | 2,939,858 | - | (2,758,949) | - | (20,653,433) | 58,518,784 |
| | 101,065,779 | 40,972,614 | (15,183,365) | - | - | - | 126,855,028 | (28,961,831) | 3,517,127 | - | (4,871,397) | - | (30,316,101) | 96,538,927 |
| Total | | | | | | | | | | | | | | |
| Municipality | 101,065,779 | 40,972,614 | (15,183,365) | - | - | - | 126,855,028 | (28,961,831) | 3,517,127 | - | (4,871,397) | - | (30,316,101) | 96,538,927 |
| | 101,065,779 | 40,972,614 | (15,183,365) | - | - | - | 126,855,028 | (28,961,831) | 3,517,127 | - | (4,871,397) | - | (30,316,101) | 96,538,927 |

Nquthu Local Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2012

| Name of Grants | Name of organ of state or municipal entity | Quarterly Receipts | | | | Quarterly Expenditure | | | | Grants and Subsidies delayed / withheld | | | | Reason for delay/withholding of funds | Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act | Reason for noncompliance |
|--------------------------------------|--------------------------------------------|--------------------|-----------|-----------|---------|-----------------------|-----------|-----------|-----------|-----------------------------------------|-----|-----|-----|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------|--------------------------|
| | | Sep | Dec | Mar | Jun | Sep | Dec | Mar | Jun | Sep | Dec | Mar | Jun | | | |
| Municipal Governance Grant | KZN-COGTA | - | - | - | - | - | - | - | - | - | - | - | - | | Yes | |
| Capacity Building | KZN-COGTA | - | - | - | - | 53,603 | - | - | - | - | - | - | - | | Yes | |
| MFMA | KZN-COGTA | - | - | - | - | - | - | - | - | - | - | - | - | | Yes | |
| Corridor Development | KZN-COGTA | - | - | - | - | 884,781 | 899,333 | - | - | - | - | - | - | | Yes | |
| MPCC | KZN-COGTA | - | 1,167,000 | - | - | - | - | - | 20,392 | - | - | - | - | | Yes | |
| Cybercadet | KZN-Arts & Culture (Libraries) | - | - | - | 211,600 | 54,558 | 57,438 | 57,918 | 54,558 | - | - | - | - | | Yes | |
| Anti-corruption strategy Grant | KZN-COGTA | - | - | - | - | - | - | - | - | - | - | - | - | | Yes | |
| Municipal Infrastructure Grant (MIG) | COGTA-National | 13,835,000 | - | 7,185,000 | - | 5,951,664 | 4,618,298 | 7,114,551 | 4,374,486 | - | - | - | - | | Yes | |
| Financial System Grant | KZN-COGTA | - | - | - | - | - | 345,445 | - | - | - | - | - | - | | Yes | |
| Management Assistance Program | KZN-COGTA | - | - | - | - | - | 216,502 | - | - | - | - | - | - | | Yes | |
| Municipal Systems Improvement Grant | COGTA-National | 790,000 | 4,100 | - | - | 69,811 | 123,995 | 40,200 | 71,660 | - | - | - | - | | Yes | |
| Housing | KZN-Housing | - | - | - | - | - | - | - | - | - | - | - | - | | Yes | |
| Financial Management Grant | National Treasury | 1,500,000 | - | - | 8,098 | 468,020 | 550,481 | 288,549 | 210,776 | - | - | - | - | | Yes | |
| Synergistic Partnership Grant | KZN-COGTA | - | - | - | - | - | - | - | - | - | - | - | - | | Yes | |

| | | | | | | | | | | | | | | |
|----------------------------|--------------------|------------|-----------|------------|---------|-----------|-----------|-----------|-----------|---|---|---|---|-----|
| Public Participation Grant | KZN-COGTA | - | - | - | - | - | 75,438 | - | - | - | - | - | - | Yes |
| Youth Fund | NYDA | - | - | - | - | - | - | - | - | - | - | - | - | Yes |
| (Umsobomvu/NYDA) | | | | | | | | | | | | | | |
| CBD Roass Rehabilitation | KZN-COGTA | - | - | 3,000,000 | - | - | 1,133,579 | 909,491 | 2,848,150 | - | - | - | - | Yes |
| Bornem Grant | Bornem | - | - | 26,945 | 587,971 | - | 9,939 | 16,774 | 4,380 | - | - | - | - | Yes |
| | (Belgium) | | | | | | | | | | | | | |
| Lirbrary Volunteer | KZN-Arts & Culture | - | 18,000 | - | - | 3,060 | 3,570 | 4,590 | 4,590 | - | - | - | - | Yes |
| | (Libraries) | | | | | | | | | | | | | |
| Sportfields (Isilinjane) | KZN Sports | 420,000 | - | 420,000 | - | - | 418,596 | - | 344,408 | - | - | - | - | Yes |
| Library Support | | 466,680 | - | - | - | 156,866 | 138,393 | 139,202 | 32,220 | - | - | - | - | Yes |
| Incubator Grant | KZN COGTA | - | 2,000,000 | - | - | - | - | - | - | - | - | - | - | Yes |
| | | 17,011,680 | 3,189,100 | 10,631,945 | 807,669 | 7,642,363 | 8,591,007 | 8,571,275 | 7,965,620 | - | - | - | - | |

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.